

Director: Herb R. Guenther

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| | FY 2008 ACTUAL | FY 2009 ESTIMATE | FY 2010 APPROVED |
|---|-------------------|---------------------|---------------------------------|
| OPERATING BUDGET | | | |
| <i>Full Time Equivalent Positions</i> | 231.7 | 231.7 | 220.7 ^{1/} |
| Personal Services | 8,260,700 | 8,551,800 | 8,551,800 |
| Employee Related Expenditures | 2,815,500 | 2,915,100 | 3,007,500 |
| Professional and Outside Services | 918,000 | 2,830,000 | 2,830,000 |
| Travel - In State | 231,600 | 292,300 | 292,300 |
| Travel - Out of State | 36,300 | 6,500 | 6,500 |
| Other Operating Expenditures | 3,118,800 | 1,017,300 | 1,017,300 |
| Equipment | 555,800 | 333,700 | 333,700 |
| OPERATING SUBTOTAL | 15,936,700 | 15,946,700 | 16,039,100 |
| SPECIAL LINE ITEMS | | | |
| Adjudication Support | 2,104,800 | 2,106,100 | 2,117,700 ^{2/} |
| Arizona Water Protection Fund Deposit | 0 | 2,000,000 | 0 |
| Assured and Adequate Water Supply Administration | 1,698,300 | 2,819,400 | 2,838,000 ^{3/} |
| Automated Groundwater Monitoring | 506,000 | 506,300 | 507,400 |
| Conservation and Drought Program | 499,100 | 491,600 | 494,900 |
| Rural Water Studies | 1,340,600 | 2,007,100 | 2,012,300 ^{4/} |
| Upper San Pedro Water District Technical Assistance | 250,000 | 0 | 0 |
| Lump Sum Reduction | 0 | (3,825,700) | (4,809,300) |
| AGENCY TOTAL | 22,335,500 | 22,051,500 | 19,200,100 ^{5/} |
| FUND SOURCES | | | |
| General Fund | 22,330,800 | 11,632,300 | 18,248,500 |
| <u>Other Appropriated Funds</u> | | | |
| Assured and Adequate Water Supply Administration Fund | 4,700 | 1,037,200 | 951,600 |
| Water Banking Fund | 0 | 9,382,000 | 0 |
| SUBTOTAL - Other Appropriated Funds | 4,700 | 10,419,200 | 951,600 |
| SUBTOTAL - Appropriated Funds | 22,335,500 | 22,051,500 | 19,200,100 |
| Other Non-Appropriated Funds | 19,795,500 | 31,219,900 | 31,145,100 |
| Federal Funds | 500,900 | 312,800 | 312,800 |
| TOTAL - ALL SOURCES | 42,631,900 | 53,584,200 | 50,658,000 |

AGENCY DESCRIPTION — The Department of Water Resources administers and enforces Arizona's groundwater and surface water law, as well as legally representing the state's water rights. The department also participates in surveying water level and quality and planning flood control.

^{1/} Includes 62.8 GF FTE Positions from Special Line Items in FY 2010 prior to the lump sum reductions.

^{2/} Monies in the Adjudication Support line item shall only be used for the exclusive purposes prescribed in A.R.S. § 45-256 and 45-257B4. The Department of Water Resources shall not transfer any funds into or out of the Adjudication Support line item. (General Appropriation Act footnote)

^{3/} Monies in the Assured and Adequate Water Supply Administration line item shall only be used for the exclusive purposes prescribed in A.R.S. § 45-108 and 45-576 through 45-579. The Department of Water Resources shall not transfer any funds into or out of the Assured and Adequate Water Supply Administration line item. (General Appropriation Act footnote)

^{4/} It is the intent of the Legislature that monies in the Rural Water Studies line item will only be spent to assess local water use needs and to develop plans for sustainable future water supplies in rural areas outside the state's AMAs and not be made available for other department operating expenditures. (General Appropriation Act footnote)

^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency. As appropriated by Laws 2009, 1st Regular Session, Chapter 11.

| PERFORMANCE MEASURES | FY 2006 Actual | FY 2007 Actual | FY 2008 Actual | FY 2010 Approved |
|---|---------------------------|---------------------------|---------------------------|-----------------------------|
| • % of Colorado River entitlement used | 100 | 100 | 100 | 100 |
| • % of Arizona's unclaimed Colorado River entitlement that is recharged via the Water Banking Authority | 95 | 95 | 95 | 95 |
| • Number of dams in a non-emergency unsafe condition | 13 | 13 | 13 | 13 |
| • Number of rural water studies initiated | 4 | 4 | 4 | 4 |
| • Number of rural water studies completed in current year | -- | -- | NA | 4 |
| • Customer satisfaction rating for Hydrology Program (Scale 1-8) | 8.0 | 8.0 | 8.0 | 8.0 |

Comments: The agency did not submit information for any measure labeled as "NA" as required by the General Appropriation Act.

Operating Budget

The budget includes \$16,039,100 and 168.9 FTE Positions from the General Fund for the operating budget in FY 2010. These amounts fund the following adjustments:

Statewide Health Insurance Adjustments

The budget includes an increase of \$92,400 from the General Fund in FY 2010 for state employee health insurance statewide adjustments. *(Please see the General Provisions section.)*

Fund Shift

The budget includes an increase of \$4,000,000 from the General Fund and a corresponding decrease from the Arizona Water Banking Fund in FY 2010. Total funding for the operating budget is unchanged by the shift.

In FY 2010, a total of \$8,000,000 from the General Fund is restored to the department to reverse the FY 2009 fund shift to the Arizona Water Banking Fund. *(Please see the Lump Sum Reduction section for more information.)*

Adjudication Support

The budget includes \$2,117,700 and 21.3 FTE Positions from the General Fund for Adjudication Support in FY 2010. These amounts fund the following adjustments:

Statewide Health Insurance Adjustments

The budget includes an increase of \$11,600 from the General Fund in FY 2010 for state employee health insurance statewide adjustments.

Fund Shift

The budget includes an increase of \$500,000 from the General Fund and a corresponding decrease from the Arizona Water Banking Fund in FY 2010. Total funding for the Special Line Item (SLI) is unchanged by the shift.

In FY 2010, a total of \$8,000,000 from the General Fund is restored to the department to reverse the FY 2009 fund shift to the Arizona Water Banking Fund. *(Please see the Lump Sum Reduction section for more information.)*

A.R.S. § 45-251 requires the Department of Water Resources (DWR) to provide technical and administrative support to judicial proceedings involving general stream adjudications for the Gila and Little Colorado Rivers. The purpose of the adjudications is to determine the nature, extent, and priority of the water rights claims on the 2 rivers. Technical support for the adjudication courts includes the preparation of hydrographic survey reports and technical reports on specific issues within the adjudications. In addition, DWR is required to keep track of the Statement of Claimants and implement court rulings that are in favor of the claimants.

In 1953, Congress passed the McCarran Amendment, granting state courts jurisdiction over the adjudication of the tribal water rights. As part of this amendment, if the states are unsuccessful in completing the adjudications, the adjudications will be moved to federal courts.

Arizona Water Protection Fund Deposit

The budget includes no funding for the Water Protection Fund Deposit in FY 2010. This amount funds the following adjustments:

Suspend Deposit

The budget includes a decrease of \$(2,000,000) from the Arizona Water Banking Fund in FY 2010 to suspend the statutory deposit to the Arizona Water Protection Fund.

The Environment Budget Reconciliation Bill (BRB), (Laws 2009, 3rd Special Session, Chapter 5) includes a session law change to A.R.S. § 45-2112 suspending the statutory \$5,000,000 General Fund appropriation to the Water Protection Fund in FY 2010. This General Fund appropriation has been suspended since FY 2000. In FY 2009, \$2,000,000 was appropriated from the Arizona Water Banking Fund.

The Arizona Water Protection Fund, administered by the Water Protection Fund Commission, provides grants to organizations for the preservation, enhancement, and restoration of rivers, streams, and riparian environments.

Assured and Adequate Water Supply Administration

The budget includes \$2,838,000 and 24 FTE Positions for the Assured and Adequate Water Supply (AAWS) Program in FY 2010. These amounts consist of:

| | FY 2010 |
|--------------------------|----------------|
| General Fund | \$1,713,400 |
| AAWS Administration Fund | 1,124,600 |

These amounts fund the following adjustments:

Statewide Health Insurance Adjustments

The budget includes an increase of \$18,600 from the General Fund in FY 2010 for state employee health insurance statewide adjustments. These amounts consist of:

| | |
|--------------------------|--------|
| General Fund | 13,100 |
| AAWS Administration Fund | 5,500 |

Fund Shift

The budget includes an increase of \$400,000 from the General Fund and a corresponding decrease from the Arizona Water Banking Fund in FY 2010. Total funding for the Special Line Item (SLI) is unchanged by the shift.

In FY 2010, a total of \$8,000,000 from the General Fund is restored to the department to reverse the FY 2009 fund shift to the Arizona Water Banking Fund. *(Please see the Lump Sum Reduction section for more information.)*

Laws 2005, Chapter 217 established the Assured and Adequate Water Supply Administration Fund to provide

for the costs and expenses incurred by DWR when determining and declaring assured and adequate water supplies. The AAWS Administration Fund is subject to appropriation and consists of monies that are paid to the DWR for applications relating to assured and adequate water supplies. Previously, fees were deposited into the General Fund.

A total of \$579,100 was collected in FY 2008 and \$285,200 in FY 2009. Part of the reason for the low collections may be due to decline in new home construction. DWR assumed \$685,000 in revenue for FY 2010 in their budget request.

Monies in this SLI are to provide for the operating costs of the AAWS Program. All new subdivisions must receive a Certificate of Assured or Adequate Water Supply. A Certificate of Assured Water Supply is awarded to developers within the 5 Active Management Areas (AMAs) and demonstrates the availability of water for the next 100 years. New developers outside the 5 AMAs must obtain a determination of the quantity and quality of water available in the new subdivision before any lots may be sold. A Certificate of Adequate Water Supply is awarded if DWR determines the subdivision has a 100-year supply of water. If the water is determined to be inadequate, lots may still be sold, but buyers must be notified of the determination.

Automated Groundwater Monitoring

The budget includes \$507,400 and 2 FTE Positions from the General Fund for Automated Groundwater Monitoring in FY 2010. These amounts fund the following adjustments:

Statewide Health Insurance Adjustments

The budget includes an increase of \$1,100 from the General Fund in FY 2010 for state employee health insurance statewide adjustments.

Monies in this SLI are to provide for the installation, operation, and maintenance of new automated groundwater measuring instruments, or transducers. The transducers provide daily measurements of groundwater levels and expedite analysis for various program activities for assured and adequate water supply, recharge, developing rural water budgets, and water rights studies.

Conservation and Drought Program

The budget includes \$494,900 and 6 FTE Positions from the General Fund for the Conservation and Drought Program Special Line Item in FY 2010. These amounts fund the following adjustments:

Statewide Health Insurance Adjustments

The budget includes an increase of \$3,300 from the General Fund in FY 2010 for state employee health insurance statewide adjustments.

Monies in this SLI are used to assist local communities to assess conservation needs and assist rural communities in the development of conservation programs, promote water education throughout the state, create guidelines for more efficient use of water, and provide suggestions for funding and implementing conservation programs.

Rural Water Studies

The budget includes \$2,012,300 and 9.5 FTE Positions from the General Fund for Rural Water Studies in FY 2010. These amounts fund the following adjustments:

Statewide Health Insurance Adjustments

The budget includes an increase of \$5,200 from the General Fund in FY 2010 for state employee health insurance statewide adjustments.

Monies in this SLI are used to assess local water use needs and to develop plans for sustainable future water supplies in rural areas outside the state's AMAs. The current AMAs are Prescott, Phoenix, Pinal, Tucson, and Santa Cruz. These studies are administered through partnerships with local resource agency officials and stakeholders. Partnerships generally require local entities to provide some resources to match General Fund receipts. The studies are primarily conducted by the local entity, with the department providing technical advice and financial assistance. Currently, there are 8 studies underway.

Upper San Pedro Water District Technical Assistance

The budget includes no funding for the Upper San Pedro Water District Technical Assistance SLI in FY 2010. This amount is unchanged from FY 2009.

In FY 2008, one-time funding was provided for Upper San Pedro Water District Technical Assistance. Laws 2007, Chapter 252, allowed the Upper San Pedro Water District and Board of Directors to be established if approved by qualified voters of the district. The bill also created an Organizing Board to prepare organizational, financial, comprehensive, and election plans for the district. The funding in the General Appropriation Act provided for the operating costs associated with providing technical assistance to the Organizing Board and Board of Supervisors and is non-lapsing. An election to establish the Upper San Pedro Water District and Board of Directors has not yet taken place.

The Upper San Pedro groundwater basin is located in southeastern Arizona, specifically in Cochise County, with portions expanding into Pima County and Santa Cruz County. The groundwater basin is a major source of water

for the residents of Cochise County and for Fort Huachuca. The district would include Fort Huachuca, Sierra Vista, Tombstone, Huachuca City, and a portion of Bisbee, all of which are located within Cochise County and the groundwater basin. Federal law (P.L. 108-136) requires consideration of water issues in evaluating the future of Fort Huachuca and requires that water levels in the basin remain at a defined level. The district would assist in ensuring the water supply to Fort Huachuca and its surrounding communities.

Lump Sum Reduction

The budget includes an agencywide lump sum reduction of \$(3,825,700) for the midyear FY 2009 revisions and \$(4,809,300) for FY 2010. The latter reduction reflects the adjustment to the originally enacted FY 2009 appropriation.

| | <u>FY 2009</u> | <u>FY 2010</u> |
|---|-----------------------|-----------------------|
| Lump Sum Reduction | | |
| General Fund | \$(2,785,800) | \$(3,578,700) |
| Fund Reduction and Transfer | | |
| Assured and Adequate Water Supply Administration Fund | (56,200) | (111,900) |
| Arizona Water Banking Fund | (387,300) | 0 |
| Personnel Expense Reduction | | |
| General Fund | (440,000) | (1,057,600) |
| Assured and Adequate Water Supply Administration Fund | (25,700) | (61,100) |
| Arizona Water Banking Fund | (130,700) | 0 |
| Fund Shift | | |
| General Fund | (3,000,000) | 3,000,000 |
| Arizona Water Banking Fund | 3,000,000 | (3,000,000) |

Laws 2009, 1st Special Session, Chapter 1, included a shift of \$3,000,000 from the General Fund to the Arizona Water Banking Fund. The FY 2010 General Appropriation Act restores \$3,000,000 to the General Fund, and reverses the \$3,000,000 Arizona Water Banking shift in FY 2010.

In FY 2010, a total of \$8,000,000 from the General Fund is restored to the department. Of this amount, \$3,000,000 reverses the midyear FY 2009 revisions and \$4,900,000 reverses the original FY 2009 fund shift from the Arizona Water Banking Fund. The remaining \$100,000 reduces the additional lump sum reduction amount in FY 2010 from \$892,900 to \$792,900.

FTE Position Reduction

The budget includes a decrease of (11) FTE Positions for a lump sum FTE Position reduction. *(Please see the General Provisions section.)*

Laws 2009, 3rd Special Session, Chapter 11, Section 17 requires every General Fund supported agency, board, commission, or other state entity to reduce its number of FTE Positions by 5% on or before February 1, 2010. This reduction has not been recorded in the summary table above. The actual impact of this provision is to be determined.

Fund Transfers

The budget includes the following midyear FY 2009 revisions and FY 2010 transfers to the General Fund from the funds listed below:

| | <u>FY 2009</u> | <u>FY 2010</u> |
|------------------------------------|-----------------------|-----------------------|
| Assured and Adequate Water | \$(56,200) | \$(111,900) |
| Supply Administration - FRAT | | |
| Assured and Adequate Water | (25,700) | (61,100) |
| Supply Administration - Salary | | |
| Augmentation and Conservation | (354,700) | 0 |
| Assistance - EBT* | | |
| Augmentation and Conservation | (99,800) | (110,500) |
| Assistance - FRAT* | | |
| Augmentation and Conservation | (10,300) | (24,600) |
| Assistance - Salary* | | |
| Dam Repair - EBT* | (645,900) | (378,400) |
| Indirect Cost Recovery - EBT* | (600,900) | (205,100) |
| Indirect Cost Recovery - FRAT* | (81,700) | (163,300) |
| Indirect Cost Recovery - Salary* | (38,700) | (92,100) |
| Arizona Water Banking - EBT* | (9,196,600) | (5,400,000) |
| Arizona Water Banking - FRAT | (387,300) | 0 |
| Arizona Water Banking - Salary | (140,400) | 0 |
| Arizona Water Protection - EBT* | (2,022,600) | (2,346,000) |
| Arizona Water Protection - FRAT* | (175,600) | 0 |
| Arizona Water Protection - Salary* | (11,500) | 0 |
| Arizona Water Quality - EBT* | (279,300) | (152,600) |
| Arizona Water Quality - FRAT* | (28,100) | (56,300) |
| Arizona Water Quality - Salary* | (13,300) | (31,700) |
| Well Administration and | (39,400) | (78,800) |
| Enforcement - FRAT* | | |
| Well Administration and | (18,600) | (44,200) |
| Enforcement - Salary* | | |

* These transfers are from non-appropriated funds.

Additional Legislation

Reporting Requirement

The FY 2010 Environment BRB (Laws 2009, 3rd Special Session, Chapter 5) requires that DWR include more detailed financial reporting on Nevada Water Banking revenues.